# Investment Weekly

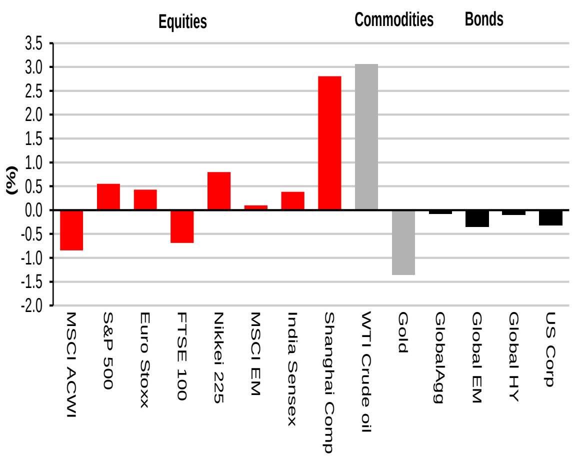
**23 February 2018**

**For Professional Client and Institutional Investor Use Only**

- The US S&P 500 Index was little changed in a holiday-shortened trading week, weighed on by some disappointing corporate earnings releases. Meanwhile, Asian equities rallied on strong risk appetite
- European finance ministers nominated the Spanish Minister of Economy and Competitiveness Luis de Guindos to be the next Vice President of the European Central Bank (ECB), replacing Vítor Constâncio
- The US Federal Reserve's (Fed) Federal Open Market Committee (FOMC) January meeting minutes displayed a hawkish tilt with most participants viewing recent data as suggesting a modestly stronger near-term outlook than anticipated at the December meeting
- Most of next week's important data releases will be from the US, including February core PCE inflation. Fed Chair Jerome Powell's testimony to Congress will also be in focus

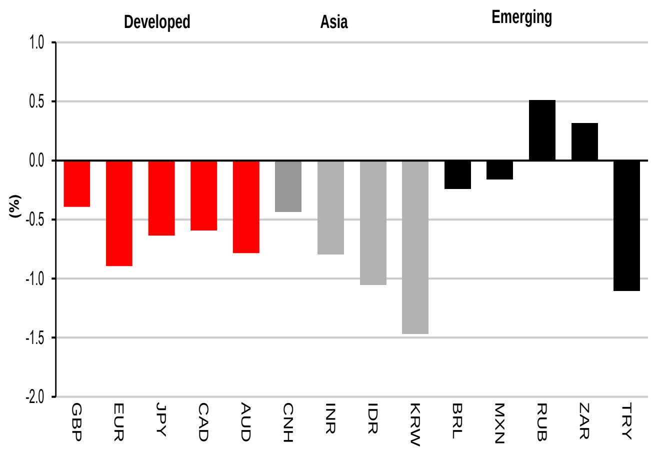
## Movers and shakers

US equities little changed amid disappointing earnings

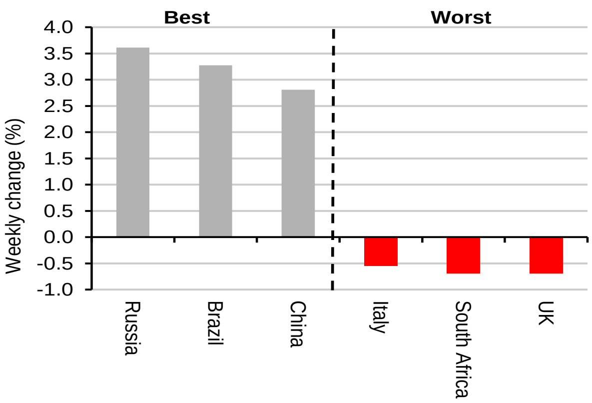



## Currencies (versus USD)

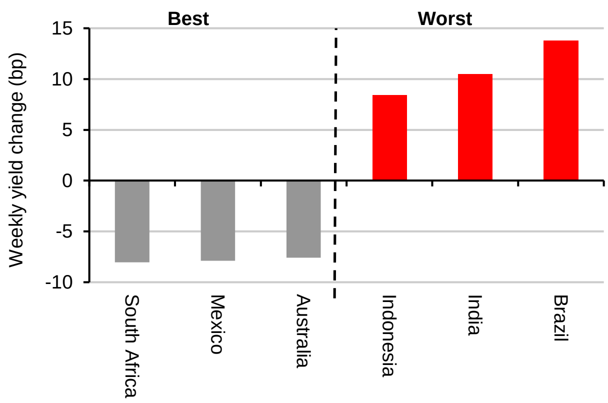
The US dollar staged a rebound this week




## Equities




## Bonds (10-year)






Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 23 February 2018.
All the above charts relate to 16/02/2018 – 23/02/2018.

**Past performance is not an indication of future returns.**

HSBC Global Asset Management

# Macro Data and Key Events

## Past Week (19-23 February 2018)

| Date | Country | Indicator | Data as of | Survey | Actual | Prior |
|---|---|---|---|---|---|---|
| Monday 19 February | Japan | Trade Balance Adjusted (JPY bn) | Jan | 143.9 | 373.3 | 90.7 |
| Tuesday 20 February | Germany | ZEW Expectation of Economic Growth | Feb | 16.0 | 17.8 | 20.4 |
| Wednesday 21 February | Eurozone | Markit Composite PMI | Feb P | 58.4 | 57.5 | 58.8 |
| | UK | ILO Unemployment Rate (3 months) | Dec | 4.3% | 4.4% | 4.3% |
| | UK | Bank of England Governor Mark Carney Speaks in London | | | | |
| | US | Existing Home Sales (mom) | Jan | 0.5% | -3.2% | -2.8% |
| | US | Fed Publishes Minutes of January Meeting | | | | |
| Thursday 22 February | Germany | Ifo Business Climate Index | Feb | 117.0 | 115.4 | 117.6 |
| | UK | GDP (qoq) | Q4 S | 0.5% | 0.4% | 0.5% P |
| | Japan | National CPI ex Fresh Food and Energy (yoy) | Jan | 0.3% | 0.4% | 0.3% |
| | Eurozone | ECB Minutes from the January Meeting | | | | |
| Friday 23 February | Eurozone | CPI (yoy) | Jan F | 1.3% | 1.3% | 1.4% P |
| | Mexico | GDP Seasonally Adjusted (qoq) | Q4 F | 1.0% | 0.8% | 1.0% P |

P – Preliminary, Q – Quarter, F – Final, S – Second

- In the US, the Fed's **FOMC January meeting minutes** displayed a hawkish tilt with most participants viewing recent data as suggesting a modestly stronger near-term outlook than anticipated at the December meeting. While the committee also broadly judged the risks to the economic outlook as roughly balanced, a number of voting members perceived increased upside risks to the near-term situation. Meanwhile, the committee saw activity and job market information as consistent with above-trend economic growth. Regarding wage and pricing pressures, participants noted few signs of a broad-based wage pickup despite reports of tight labour conditions, although inflation was expected to accelerate. It is important to note that the meeting occurred before the market sell-off and recent data releases that showed stronger than expected wage growth and CPI inflation in January. **Existing home sales** declined 3.2% mom in January, disappointing expectations for a 0.5% increase. The inventory of available existing residences dipped to 1.52 million, the second lowest on record. However, demand remains well supported by robust employment, although recent tax reforms have made certain segments less attractive.
- European Finance Ministers nominated the Spanish Minister of Economy and Competitiveness Minister Luis de Guindos to be the next **vice president of the ECB**, replacing Vítor Constâncio. De Guindos will resign from his existing post within days and said he is "pragmatic," rather than a dove or hawk, when it comes to monetary policy and that he will always defend the ECB's independence. Looking ahead, he will face a hearing at the European Union (EU) Parliament before EU leaders will likely appoint him at their summit on 22 March.
- The **minutes** from the **ECB's January policy meeting** showed that hawkish members of the bank's Governing Council pushed for altering the bank's forward guidance that asset purchases could be increased in the event of deteriorating economic or financial conditions. However, it was judged that "such an adjustment was premature" and not yet justified by the bank's increasing confidence that inflation would eventually return to target. There is still an open possibility that the "language pertaining to the monetary policy stance could be revisited early this year." There were also discussions around the volatility of the euro, which the governing council argued "required monitoring." In terms of data, the **February eurozone PMIs** fell by more than expected in the preliminary estimate, with the composite measure dipping 1.3 points to 57.5 (consensus 58.4). The headline **German Ifo Business Climate Index** also declined by more than expected in February (-2.2 points to 115.4). These declines may reflect some concerns over the strength of the euro. Nevertheless, given that recent prints have probably been overstating the real pace of growth, a slight correction is not necessarily a cause for concern. **Germany's ZEW Expectation of Economic Growth** fell by a smaller than expected 2.6 points in February to 17.8 (consensus: 16.0). The decline likely reflected the large sell-off in financial assets at the beginning of the month, given that this survey is predominantly drawn from finance professionals. However, the index remains broadly in line with the recent trend.
- Testifying to the Treasury Select Committee, **Bank of England Governor Mark Carney** stuck to the language from the February monetary policy meeting and the accompanying inflation report. He believes that the current economic conditions warrant gradual removal of monetary accommodation. Importantly, the Bank Rate could be raised "somewhat earlier and to a somewhat greater extent" to bring inflation back to target. However, providing ammunition to the doves on the Monetary Policy Committee, the second estimate of **Q4 2017 UK GDP** was downgraded by 0.1 percentage points to 0.4% qoq and 1.4% yoy, which is the slowest rate of annual growth since Q1 2012. The main drag to growth over the quarter came from net trade (-0.5 percentage points), while household spending continued to support growth (+0.2 percentage points, in line with the previous four quarters). Furthermore, the **unemployment rate** in the three months to December unexpectedly rose, by 0.1 percentage points, to 4.4%. However, a 44,000 increase in the number of people unemployed came as 134,000 extra people entered the workforce, with the number of people in employment rising by 88,000. Meanwhile, total wage growth held steady at 2.5% yoy.
- **Japan's CPI inflation** for January came in slightly stronger than expected, with the headline figure at 1.4% yoy, up from 1.0% in December, while underlying inflation (CPI ex-fresh food and energy) edged up from 0.3% yoy in December to 0.4%. The slight uptick was almost entirely explained by non-durable goods, especially the highly volatile fresh food and clothing components. Services and durable goods (representing more than 60% of the CPI basket) remained flat, at about 0% yoy. Although the Bank of Japan recently acknowledged that headline inflation has picked up in the last few months, the Bank's overall stance remains cautious as the increase seems essentially driven by commodity prices or one-off factors.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 23 February 2018.

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## Coming Week (26 February – 2 March 2018)

| Date | Country | Indicator | Data as of | Survey | Prior |
|---|---|---|---|---|---|
| Monday 26 February | US | New Home Sales (mom) | Jan | 4.0% | -9.3% |
| Tuesday 27 February | US | Durable Goods Orders (mom) | Jan P | -2.5% | 2.8% |
| | US | S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index (yoy) | Dec | 6.3% | 6.4% |
| Wednesday 28 February | Japan | Industrial Production (mom) | Jan P | -4.2% | 2.9% |
| | China | Official Manufacturing PMI | Feb | 51.2 | 51.3 |
| | Eurozone | CPI Estimate (yoy) | Feb | 1.2% | 1.3% |
| | India | GVA (yoy) | Q4 | 6.6% | 6.1% |
| | US | GDP Annualised (qoq) | Q4 P | 2.5% | 2.6% |
| | US | Pending Home Sales (mom) | Jan | 0.5% | 0.5% |
| | US | Fed Chair Powell Testifies to the House Financial Services Committee | | | |
| Thursday 01 March | Eurozone | Unemployment Rate | Jan | 8.6% | 8.7% |
| | Brazil | GDP (seasonally adjusted, qoq) | Q4 | 0.5% | 0.1% |
| | US | PCE Core (yoy) | Jan | 1.5% | 1.5% |
| | US | ISM Manufacturing | Feb | 58.6 | 59.1 |
| Friday 02 March | Japan | Jobless Rate | Jan | 2.8% | 2.8% |
| | US | University of Michigan Index of Consumer Sentiment | Feb F | 98.0 | 99.9 P |

P – Preliminary, Q – Quarter, F – Final

### US

- In the coming week, **Fed Chair Jerome Powell** will give his first monetary policy report to Congress. At the testimonies, one for each of the chamber's committees, he is likely to reaffirm that recent economic developments continue to warrant the gradual removal of policy accommodation. Investor focus will be on his views regarding the recent firming of wage growth data, which sparked equity volatility at the beginning of this month. Details on potential deregulation could also be of interest.
- The second estimate for **Q4 US GDP** is expected to show annualised quarterly growth edging 0.1 percentage points lower to 2.5% qoq annualised. Consumer spending will remain the key driver of growth, although recent downward revisions to December retail sales data could weigh on the print.
- The **ISM Manufacturing Index** is expected to come in at 58.6 in February, cooling slightly from January's 59.1. The new orders subcomponent has remained at elevated levels while employment has been trending lower, but is still in expansionary territory.
- Turning to housing, **January new home sales** are expected to rebound by 4.0% mom to an annualised rate of 650,000, after dropping 9.3% mom in the prior month. Housing sales are broadly normalising after a surge in late 2017 caused by post-hurricane demand and homebuyers looking to close transactions before tax reforms decreased mortgage deduction thresholds. Overall, new home sales have been recovering gradually since 2011's nadir but remain well below pre-financial-crisis levels. **The S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index** is projected to show that housing prices increased 6.3% yoy in December. In the last three months, annual growth in home prices has accelerated above the 4%-6% yoy range occupied since late 2014 amid solid demand and low inventory.
- Elsewhere, headline **US durable goods** orders are expected to decline 2.5% mom, in part likely due to a sharp monthly drop in commercial aircraft orders. Subtracting the volatile transportation component, orders should record a 0.5% mom increase. The latest reading will come as policymakers and investors alike monitor the impact of recent tax cuts on corporate spending plans and look to business investment to lend increased support to the economic expansion.
- The personal income and outlay report should show that **PCE core** – the Fed's preferred inflation gauge – remained unchanged at 1.5% yoy in January. Inflation has gradually picked up since a recent low (1.3% yoy in August 2017) amid continuing solid economic momentum.

### Europe

- The flash estimate of **eurozone CPI inflation** in February is anticipated by decline by 0.1 percentage points to 1.2% yoy, mainly driven by food and drink prices. Core inflation should remain broadly flat, at around 1.0%. Although the eurozone recovery continues to gather pace, wage growth remains constrained by remaining labour market slack and euro strength has weighed on import prices.

### Japan and emerging markets

- **Japan's jobless rate** is seen stabilizing at 2.8% in January, as survey-based signals during the month were mixed, with the employment component of the Economy Watchers Survey and EPA consumer confidence survey relatively stable overall. The job-to-applicant ratio is expected to increase from 1.59 to 1.60 (a 44-year high).
- **Japan's industrial production** for January is expected to retreat sharply (-4.2% mom), after three months of expansion. The Ministry of Economy, Trade and Industry survey of production forecast for that month showed a 4.3% mom expected decline, followed by a strong rebound of 5.7% in February.
- **India's real gross value added (GVA)** is expected to accelerate from 6.1% yoy in Q3 to 6.6% in Q4, driven by the continuing pickup in industrial activity as manufacturers normalised production following the implementation of the Goods and Services Tax in July. Real GDP growth is also expected to accelerate, to 6.9% in Q4 from 6.3% in Q3, despite softer government spending, amid a

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 23 February 2018.

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recovery in consumption and investment.

- **Brazil's Q4 GDP growth** is expected to come in at 0.5% qoq, faster than Q3's 0.1% as Latin America's largest economy continues its recovery from a deep two-year recession. If confirmed, annual real GDP growth will be 2.8% yoy, the highest in three years. Support should come from solid household spending, net exports and private investment growth.

# Market Moves

### US equities little changed, weighed on by disappointing earnings results; Asian stock markets rallied

- **US equities** were little changed this week in a shortened trading week with markets closed on Monday for President's Day. Risk appetite was dampened by disappointing earnings results in the consumer staples sector and as the latest Fed minutes from the January meeting confirmed expectations of further rate hikes this year. The S&P 500 Index closed up 0.6%.
- The **EURO STOXX 50 Index** gained over the week despite softer than expected data, including February's eurozone PMI data print and Germany's Ifo Business Climate Index. Overall, the regional index ended 0.4% higher, supported by a weaker euro versus the US dollar and with energy stocks outperforming amid higher crude oil prices. At the country level, Germany's DAX closed up 0.3% and France's CAC 40 added 0.7%. The UK's FTSE 100 Index shed 0.7% amid a downwardly revised UK GDP estimate for Q4.
- **Asian equity markets** continued to rally after their sharp drop earlier this month amid low trading volumes due to Lunar New Year holidays in certain countries. Taiwanese shares outperformed, with the TAIEX rising 3.6% amid strong demand for IT shares. China's Shanghai Stock Exchange Composite Index rose 2.8% and Singapore's Straits Times Index added 2.6%. Gains in India, Hong Kong and Japan were more muted, up between 0.4% and 0.8%.

### Treasury yields rose on hawkish FOMC minutes; German equivalents dipped slightly

- **US** 10-year **Treasuries** rose sharply on Wednesday, but gradually declined to finish this week 1 bp lower at 2.87%, while at the shorter end, two-year yields ended up 4 bps to 2.24%. The sharp move on Wednesday came after the minutes of the FOMC January meeting highlighted upside risks to the growth outlook amid tax reform, and that solid economic activity warranted "further" interest rate hikes.
- Core **eurozone government bond** yields dipped slightly this week (prices rose), with benchmark German 10-year bund yields shedding 5 bps to 0.65%. The appointment of Spanish Economy Minister Luis de Guindos to be the next Vice President of the ECB and the minutes from the ECB's January meeting did not cause any significant yield moves. Meanwhile, UK equivalents fell 6 bps to 1.52%, partly due to a higher than expected January unemployment rate. In the periphery, Spanish and Italian bonds ended the week higher, with the latter coming under pressure as the Italian general election draws nearer.

### US dollar boosted by hawkish FOMC minutes; British pound pared losses on Brexit progress

- The **euro** and **British pound** fell against the US dollar this week, by 0.9% and 0.4%, respectively. The US dollar was boosted by further gains in US Treasury yields amid hawkish FOMC minutes. The better relative performance of sterling came as the UK government made progress in defining its Brexit negotiating stance and as Mark Carney reiterated his hawkish message that rates would need to increase faster than previously anticipated.
- Most **Asian currencies** depreciated against the US dollar over the week as investors focused on US Treasury yields and the fed funds rates trajectory as the Fed minutes painted a healthy picture of the US economy. The Indonesian rupiah depreciated the most (-0.8%). The Chinese yuan remained roughly unchanged as the onshore market remained closed for most of the week due to Lunar New Year holidays.

### Oil prices rose on upbeat US inventories report

- **Oil prices** rose again this week, despite gains in the US dollar, with most gains coming on Thursday as the U.S. Energy Information Administration weekly report showed a large decline in crude oil inventories last week. Overall, WTI crude gained 3.1% to close at USD63.6 a barrel.
- Meanwhile, **gold prices** declined (-1.4% to USD1,329 per troy ounce) mainly on the back of the gains in the US dollar.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 23 February 2018.

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# Market Data

| Equity Indices | Close | 1-week Change (%) | 1-month Change (%) | 3-month Change (%) | 1-year Change (%) | YTD Change (%) | 52-week High | 52-week Low | Fwd P/E (X) |
|---|---|---|---|---|---|---|---|---|---|
| **World** | | | | | | | | | |
| MSCI AC World Index (USD) | 518 | -0.8 | -4.9 | 3.2 | 16.0 | 1.0 | 551 | 442 | 15.7 |
| **North America** | | | | | | | | | |
| US Dow Jones Industrial Average | 25,310 | 0.4 | -3.4 | 7.6 | 21.6 | 2.4 | 26,617 | 20,380 | 17.0 |
| US S&P 500 Index | 2,747 | 0.6 | -3.2 | 5.8 | 16.2 | 2.8 | 2,873 | 2,322 | 17.5 |
| US NASDAQ Composite Index | 7,337 | 1.4 | -1.6 | 6.8 | 25.7 | 6.3 | 7,506 | 5,769 | 22.2 |
| Canada S&P/TSX Composite Index | 15,638 | 1.2 | -4.4 | -2.7 | -0.9 | -3.5 | 16,421 | 14,786 | 15.4 |
| **Europe** | | | | | | | | | |
| MSCI AC Europe (USD) | 490 | -1.0 | -5.3 | 2.5 | 18.4 | 0.4 | 524 | 408 | 14.1 |
| Euro STOXX 50 Index | 3,441 | 0.4 | -6.3 | -3.7 | 3.2 | -1.8 | 3,709 | 3,280 | 13.7 |
| UK FTSE 100 Index | 7,244 | -0.7 | -6.3 | -2.3 | -0.4 | -5.8 | 7,793 | 7,073 | 13.8 |
| Germany DAX Index* | 12,484 | 0.3 | -7.9 | -4.0 | 4.5 | -3.4 | 13,597 | 11,722 | 12.9 |
| France CAC-40 Index | 5,317 | 0.7 | -3.9 | -1.2 | 8.7 | 0.1 | 5,567 | 4,806 | 14.7 |
| Spain IBEX 35 Index | 9,822 | -0.1 | -7.4 | -2.1 | 3.5 | -2.2 | 11,184 | 9,383 | 12.9 |
| **Asia Pacific** | | | | | | | | | |
| MSCI AC Asia Pacific ex Japan (USD) | 576 | 0.0 | -5.2 | 1.6 | 22.3 | 1.2 | 617 | 461 | 13.7 |
| Japan Nikkei-225 Stock Average | 21,893 | 0.8 | -9.2 | -2.8 | 13.0 | -3.8 | 24,129 | 18,225 | 17.4 |
| Australian Stock Exchange 200 | 6,000 | 1.6 | -0.6 | 0.2 | 3.7 | -1.1 | 6,150 | 5,630 | 16.1 |
| Hong Kong Hang Seng Index | 31,267 | 0.5 | -5.1 | 5.2 | 29.7 | 4.5 | 33,484 | 23,439 | 12.2 |
| Shanghai Stock Exchange Composite Index | 3,289 | 2.8 | -7.3 | -1.9 | 1.2 | -0.5 | 3,587 | 3,017 | 12.8 |
| Hang Seng China Enterprises Index | 12,735 | 1.6 | -5.6 | 8.5 | 21.0 | 8.8 | 13,963 | 9,882 | 8.1 |
| Taiwan TAIEX Index | 10,795 | 3.6 | -4.1 | -0.6 | 10.5 | 1.4 | 11,270 | 9,563 | 13.9 |
| Korea KOSPI Index | 2,452 | 1.2 | -3.4 | -3.4 | 16.3 | -0.6 | 2,607 | 2,068 | 9.5 |
| India SENSEX 30 Index | 34,142 | 0.4 | -5.5 | 1.6 | 18.2 | 0.3 | 36,444 | 28,716 | 22.2 |
| Indonesia Jakarta Stock Price Index | 6,620 | 0.4 | -0.2 | 9.2 | 23.2 | 4.2 | 6,693 | 5,348 | 17.0 |
| Malaysia Kuala Lumpur Composite Index | 1,862 | 1.3 | 1.3 | 8.1 | 9.2 | 3.6 | 1,881 | 1,691 | 16.6 |
| Philippines Stock Exchange PSE Index | 8,468 | -1.7 | -5.9 | 1.5 | 15.4 | -1.1 | 9,078 | 7,146 | 18.6 |
| Singapore FTSE Straits Times Index | 3,533 | 2.6 | -1.6 | 3.2 | 12.6 | 3.8 | 3,612 | 3,090 | 14.2 |
| Thailand SET Index | 1,808 | 0.1 | -1.3 | 5.9 | 15.4 | 3.1 | 1,848 | 1,529 | 16.3 |
| **Latam** | | | | | | | | | |
| Argentina Merval Index | 32,742 | 0.2 | -3.4 | 20.0 | 67.6 | 8.9 | 35,462 | 18,718 | 11.7 |
| Brazil Bovespa Index* | 87,293 | 3.3 | 8.2 | 17.2 | 29.4 | 14.3 | 87,358 | 60,315 | 13.6 |
| Chile IPSA Index | 5,743 | 2.2 | -1.0 | 14.1 | 31.7 | 3.2 | 5,895 | 4,331 | 19.4 |
| Colombia COLCAP Index | 1,533 | 0.8 | -2.4 | 5.6 | 14.2 | 1.3 | 1,598 | 1,316 | 13.3 |
| Mexico Index | 48,643 | -0.5 | -3.2 | 1.1 | 3.0 | -1.4 | 51,772 | 46,588 | 16.4 |
| **EEMEA** | | | | | | | | | |
| Russia MICEX Index | 2,337 | 3.6 | 1.6 | 8.8 | 10.9 | 10.8 | 2,337 | 1,775 | 6.7 |
| South Africa JSE Index | 58,715 | -0.7 | -4.5 | -2.6 | 12.5 | -1.3 | 61,777 | 50,737 | 16.1 |
| Turkey ISE 100 Index* | 117,522 | 0.9 | -0.7 | 11.9 | 31.8 | 1.9 | 121,532 | 87,245 | 8.5 |

*Indices expressed as total returns. All others are price returns.

| Equity Indices - Total Return | 1-week Change (%) | 1-month Change (%) | 3-month Change (%) | YTD Change (%) | 1-year Change (%) | 3-year Change (%) | 5-year Change (%) |
|---|---|---|---|---|---|---|---|
| Global equities | -0.8 | -4.8 | 3.6 | 1.2 | 18.2 | 27.4 | 62.0 |
| US equities | -1.0 | -4.6 | 4.4 | 1.4 | 16.0 | 33.2 | 91.3 |
| Europe equities | -0.9 | -5.1 | 2.8 | 0.7 | 21.6 | 16.0 | 36.8 |
| Asia Pacific ex Japan equities | 0.0 | -5.0 | 1.9 | 1.3 | 25.5 | 29.5 | 38.6 |
| Japan equities | 0.4 | -5.0 | 3.5 | 2.6 | 20.3 | 32.6 | 67.3 |
| Latam equities | 1.0 | 3.3 | 12.3 | 11.5 | 20.6 | 28.5 | -5.7 |
| Emerging Markets equities | 0.1 | -4.0 | 4.6 | 3.8 | 28.9 | 30.9 | 28.5 |

All total returns quoted in US dollar terms.
Data sourced from MSCI AC World Total Return Index, MSCI USA Total Return Index, MSCI AC Europe Total Return Index, MSCI AC Asia Pacific ex Japan Total Return Index, MSCI Japan Total Return Index, MSCI Emerging Markets Latin America Total Return Index and MSCI Emerging Markets Total Return Index.
Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 23 February 2018.

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# Market Data (continued)

| Bond indices - Total Return | Close | 1-week Change (%) | 1-month Change (%) | 3-month Change (%) | 1-year Change (%) | YTD Change (%) |
|---|---|---|---|---|---|---|
| BarCap GlobalAgg (Hedged in USD) | 508 | -0.1 | -0.8 | -1.2 | 1.6 | -1.2 |
| JPM EMBI Global | 788 | -0.3 | -2.4 | -1.8 | 3.1 | -2.5 |
| BarCap US Corporate Index (USD) | 2,820 | -0.3 | -2.0 | -2.3 | 2.3 | -2.8 |
| BarCap Euro Corporate Index (Eur) | 246 | 0.1 | -0.6 | -0.6 | 1.5 | -0.3 |
| BarCap Global High Yield (Hedged in USD) | 465 | -0.1 | -1.4 | -0.2 | 4.7 | -0.7 |
| Markit iBoxx Asia ex-Japan Bond Index (USD) | 193 | -0.1 | -1.2 | -1.5 | 1.8 | -1.5 |
| Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD) | 251 | 0.1 | -1.0 | 0.1 | 3.9 | -0.3 |

Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period.

| Currencies (vs USD) | Latest | 1-week Ago | 1-month Ago | 3-months Ago | 1-year Ago | Year End 2017 | 52-week High | 52-week Low | 1-week Change (%) |
|---|---|---|---|---|---|---|---|---|---|
| **Developed markets** | | | | | | | | | |
| EUR/USD | 1.23 | 1.24 | 1.23 | 1.19 | 1.06 | 1.20 | 1.26 | 1.05 | -0.9 |
| GBP/USD | 1.40 | 1.40 | 1.40 | 1.33 | 1.26 | 1.35 | 1.43 | 1.21 | -0.4 |
| CHF/USD | 1.07 | 1.08 | 1.04 | 1.02 | 0.99 | 1.03 | 1.09 | 0.98 | -0.9 |
| CAD | 1.26 | 1.26 | 1.24 | 1.27 | 1.31 | 1.26 | 1.38 | 1.21 | -0.6 |
| JPY | 106.89 | 106.21 | 110.31 | 111.22 | 112.61 | 112.69 | 115.51 | 105.55 | -0.6 |
| AUD | 1.28 | 1.26 | 1.25 | 1.31 | 1.30 | 1.28 | 1.36 | 1.23 | -0.9 |
| NZD | 1.37 | 1.35 | 1.36 | 1.45 | 1.38 | 1.41 | 1.47 | 1.32 | -1.3 |
| **Asia** | | | | | | | | | |
| HKD | 7.82 | 7.82 | 7.82 | 7.81 | 7.76 | 7.81 | 7.83 | 7.76 | 0.0 |
| CNY | 6.34 | 6.34 | 6.40 | 6.58 | 6.87 | 6.51 | 6.92 | 6.25 | 0.1 |
| INR | 64.73 | 64.22 | 63.78 | 64.57 | 66.83 | 63.87 | 66.90 | 63.25 | -0.8 |
| MYR | 3.92 | 3.89 | 3.93 | 4.11 | 4.45 | 4.05 | 4.46 | 3.87 | -0.6 |
| KRW | 1,079 | 1,063 | 1,070 | 1,086 | 1,138 | 1,067 | 1,161 | 1,058 | -1.5 |
| TWD | 29.27 | 28.98 | 29.23 | 29.97 | 30.75 | 29.73 | 31.14 | 28.96 | -1.0 |
| **Latam** | | | | | | | | | |
| BRL | 3.24 | 3.23 | 3.24 | 3.22 | 3.06 | 3.31 | 3.41 | 3.06 | -0.2 |
| COP | 2,845 | 2,838 | 2,856 | 2,978 | 2,869 | 2,986 | 3,103 | 2,760 | -0.3 |
| MXN | 18.55 | 18.52 | 18.70 | 18.62 | 19.67 | 19.66 | 20.16 | 17.45 | -0.2 |
| **EEMEA** | | | | | | | | | |
| RUB | 56.13 | 56.42 | 56.38 | 58.46 | 57.77 | 57.69 | 61.01 | 55.59 | 0.5 |
| ZAR | 11.56 | 11.60 | 12.03 | 13.88 | 12.87 | 12.38 | 14.57 | 11.54 | 0.3 |
| TRY | 3.79 | 3.75 | 3.77 | 3.92 | 3.57 | 3.80 | 3.98 | 3.39 | -1.1 |

| Bonds | Close | 1-week Ago | 1-month Ago | 3-months Ago | 1-year Ago | Year End 2017 | 1-week Basis Point Change |
|---|---|---|---|---|---|---|---|
| **US Treasury yields (%)** | | | | | | | |
| 3-Month | 1.64 | 1.59 | 1.43 | 1.28 | 0.51 | 1.38 | 5 |
| 2-Year | 2.24 | 2.19 | 2.04 | 1.73 | 1.18 | 1.88 | 5 |
| 5-Year | 2.62 | 2.63 | 2.41 | 2.04 | 1.86 | 2.21 | -1 |
| 10-Year | 2.87 | 2.87 | 2.61 | 2.32 | 2.37 | 2.41 | -1 |
| 30-Year | 3.16 | 3.13 | 2.89 | 2.74 | 3.01 | 2.74 | 2 |
| **10-year bond yields (%)** | | | | | | | |
| Japan | 0.05 | 0.05 | 0.07 | 0.02 | 0.08 | 0.04 | -1 |
| UK | 1.52 | 1.58 | 1.35 | 1.25 | 1.15 | 1.19 | -6 |
| Germany | 0.65 | 0.70 | 0.56 | 0.35 | 0.23 | 0.42 | -5 |
| France | 0.93 | 0.95 | 0.84 | 0.68 | 0.98 | 0.78 | -2 |
| Italy | 2.06 | 1.98 | 1.88 | 1.77 | 2.21 | 2.01 | 8 |
| Spain | 1.59 | 1.46 | 1.35 | 1.46 | 1.67 | 1.56 | 13 |
| China | 3.90 | 3.89 | 3.96 | 4.02 | 3.32 | 3.90 | 1 |
| Australia | 2.85 | 2.92 | 2.83 | 2.51 | 2.79 | 2.63 | -8 |
| Canada | 2.25 | 2.32 | 2.23 | 1.89 | 1.67 | 2.05 | -7 |

*Numbers may not add up due to rounding

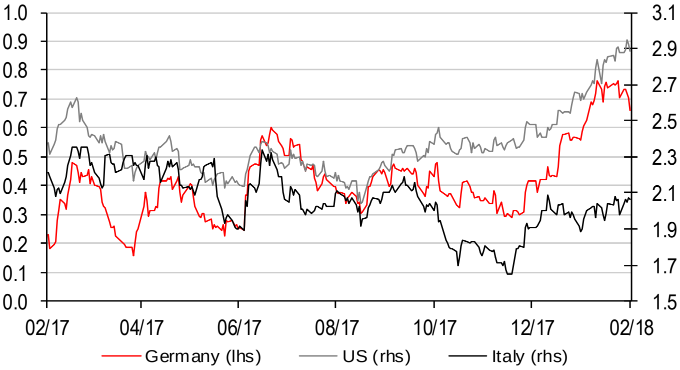
| Commodities | Latest | 1-week Change (%) | 1-month Change (%) | 3-month Change (%) | 1-year Change (%) | YTD Change (%) | 52-week High | 52-week Low |
|---|---|---|---|---|---|---|---|---|
| Gold | 1,329 | -1.4 | -0.9 | 2.9 | 6.3 | 2.0 | 1,366 | 1,195 |
| Brent Oil | 67.4 | 3.9 | -3.7 | 6.0 | 19.0 | 0.7 | 71 | 44 |
| WTI Crude Oil | 63.6 | 3.1 | -1.4 | 9.6 | 16.7 | 5.2 | 67 | 42 |
| R/J CRB Futures Index | 196 | 1.2 | -0.5 | 2.3 | 2.3 | 1.1 | 201 | 166 |
| LME Copper | 7,162 | -1.0 | 3.5 | 2.9 | 22.2 | -1.2 | 7,313 | 5,463 |

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 23 February 2018.

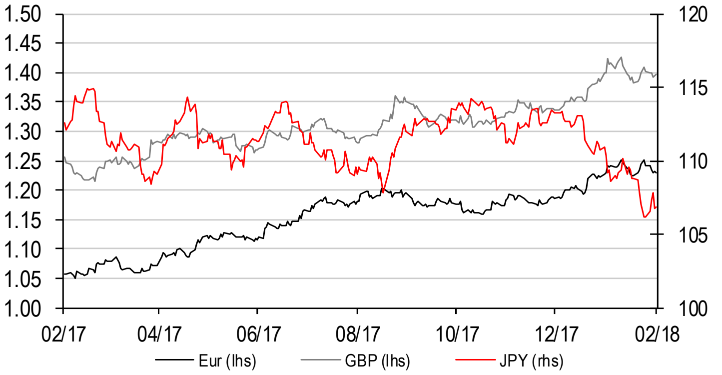
**Past performance is not an indication of future returns.**

# Market Trends

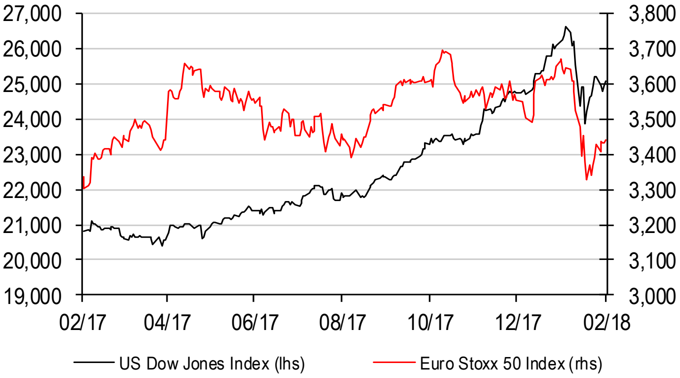
## Government bond yields (%)



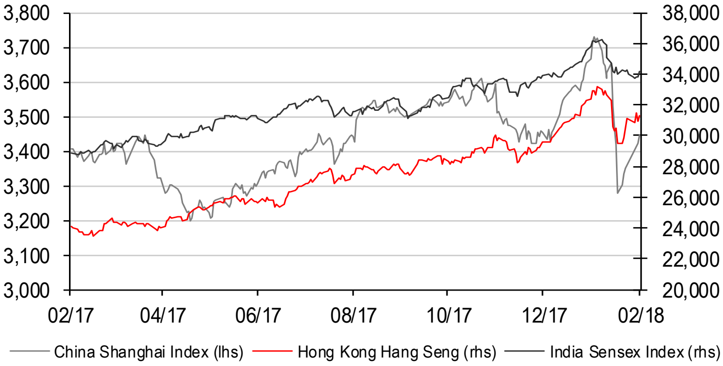

## Major currencies (versus USD)



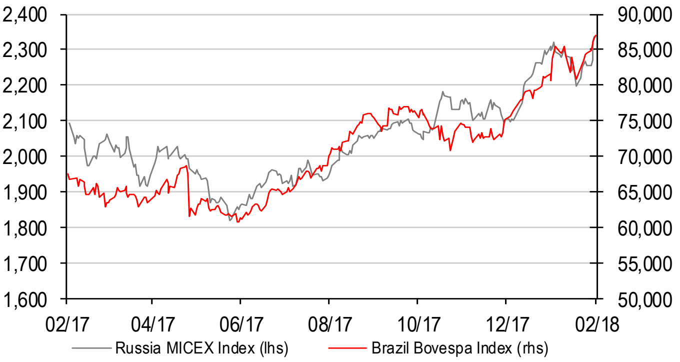

## Global equities



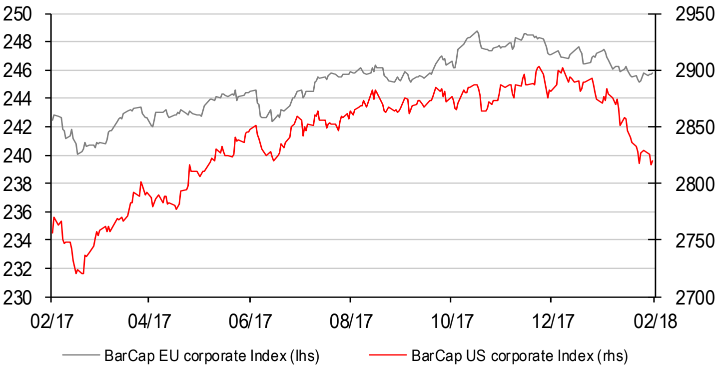

## Emerging Asian equities



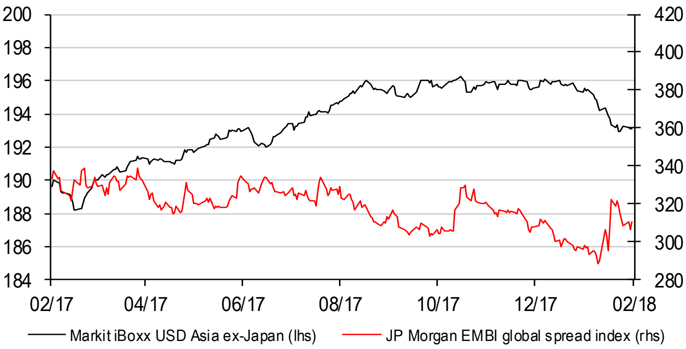

## Other emerging equities



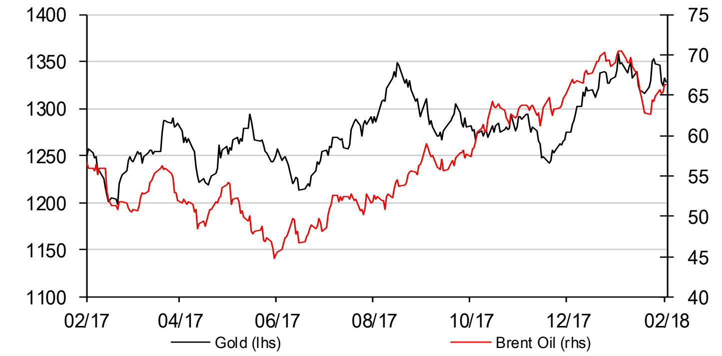

## Global credit indices




## Emerging markets spreads (USD indices)




## Commodities (USD)




Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 23 February 2018.

**Past performance is not an indication of future returns.**

Expiry: March 23, 2018
DK1800104A

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 23 February 2018.

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